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AZ CORP COMMISSION
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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
 OF PAYSON WATER COMPANY INC. AN
 ARIZONA COPORATION, FOR A DETERMINATION
 OF THE FAIR VALUE OF ITS UTILITY PLANTS
 AND PROPERTY AND FOR INCREASES IN ITS
 WATER RATES AND CHARGES FOR UTILITY
 SERVICE BASED THEREON.

IN THE MATTER OF THE APPLICATION OF
 PAYSON WATER COMPANY INC., AN ARIZONA
 CORPORATION, FOR AUTHORITY TO: (1) ISSUE
 EVIDENCE OF INDEBTEDNESS IN AN AMOUNT
 NOT TO EXCEED \$1,238,000 IN CONNECTION
 WITH INFRASTRUCTURE IMPROVEMENTS TO
 THE UTILITY SYSTEM; AND (2) ENCUMBER REAL
 PROPERTY AND PLANT AS SECURITY FOR SUCH
 INDEBTEDNESS.

DOCKET NO. W-03514A-13-0111

Arizona Corporation Commission

DOCKETED

MAR 11 2014

DOCKETED BY

DOCKET NO. W-03514A-13-0142

INTERVENER J. STEPHEN
 GEHRING'S CLOSING
 BRIEF

COMES NOW, J. Stephen Gehring, a Customer of PAYSON WATER CO. INC. (PWC) in the
 Mesa del Caballo System (PWS 04-030) and intervener in these matters to make his Closing Brief in
 these matters before the Commission's ALJ Nodes.

In these Administrative proceedings an extreme amount of time money and effort has been spent by
 PWC, its owners, officers, employees, agents, attorney, investors and other interested parties (like
 Hardcastle, the Jameson's, Crystal Investments and JACO OIL), to convince ALJ Nodes to recommend
 to the Commission that they grant the Company's far reaching Application for rate increases on all of
 the Company's Systems which are currently owned and operated by JW Water Holdings LLC/Payson
 Water Company, Inc., and that grossly affect the Customers so served by the Company financially
 primarily because the previous owner/owners failed or refused to properly maintain the systems so
 managed and operated by them.

As far as the evidence presented and testimony given by Company witnesses and the claims made by the Company's Attorney (Mr. Shapiro) that no "Material Misrepresentations have been made" (by the Company or its witnesses and evidence) in these proceedings, such is not entirely the real truth and fact in these matters before the Commission and the Administrative Law Judge for the following reasons:

- 1) Southwest Ground-Water Consultants, Inc. (Zonge Engineering and Research Organization (Zonge)) in the Mesa del Caballo Zonge CSAMT Survey, Study, Report and particularly the Letter, Dated March 30, 2010 sent to and received by Bob Hardcastle from Stephen D. Noel, R.G. (Registered Geologist) (**See: Exhibit A-17 Sub exhibits A & B See: pages 1 & 2 of the Letter to Bob Hardcastle**) states that the current wells (i.e. Company, WSA and possibly private wells) range in depth from 200 and 500 ft. with production between **5 gpm and 25 gpm.**, and that the specific capacity of these wells range from .05 gpm per foot of drawdown (gpm/ft) to .55 gpm/ft. This statement is in direct conflict with the "doctored figures, evidence and testimony" presented by Mr. Hardcastle and his officers, agents, employees and attorney in the Company's Application for an Augmentation Surcharge for MDC in 2010 and otherwise represented in these proceedings. Also (**See: Attached Exhibit A and the evidence presented by the Complainants' in their Exhibits filed in both W-03514A-12-0007 and 0008 as well as Gehring's last filing disclosing newly discovered evidence**) all of which prove beyond any reasonable doubt that the Company's officers, agents, employees and attorney lied in those proceedings under oath and made numerous material misrepresentations;
- 2) The Noel letter/Zonge report further states that: "Based on the local hydro geologic conditions supported by the geophysical cross-sections, the yield of wells designed to be production wells completed to depths up to **500 feet will be** in the **10 to 25 gpm** range."
- 3) These findings of facts and conclusions of the study were stated and reported by Registered Geologist Noel in his letter to Hardcastle (dated March 30, 2010 so site above in Exhibit A-17). They are true, correct and in direct conflict with what has been knowingly, intentionally and repeatedly materially misrepresented to the Customers, ALJ Nodes, Staff, Attorney Mitchell and the Commission by Hardcastle, his officers, agents, attorney as well as the ACC Staff's Engineer Smith and now the New Owners and their attorney in these current proceedings and in numerous other previous proceedings. The Company by and through its officers, employees, agents and attorney all state and allege that there is no water of "production capacity" below MDC or that

drilling new wells or deepening current ones, would not be cost effective sighting an alleged cost to drill two wells to 1,000 ft. and the construction of a storage facility of 200,000 gallons would cost \$862,321.00. Even the Drillers that I know and have worked with; Brandon More and Chris Miller, will confirm the Geologists' findings to be true and that they have already debunked the Company's deceptive business practices, opinions and intentional material misrepresentations made in these and previous proceedings by drilling productive wells to the 400 foot depth. (See: **Attached Exhibit B pages 1 to 6 also See: Complainants' Exhibits filed in both W-03514A-12-0007 and 0008 as well as Gehring's last filing disclosing newly discovered evidence**);

- 4) It is proven fact beyond any reasonable doubt in Prior proceedings, that Hardcastle knowingly and intentionally: a) stole water from WSA wells he did not own, b) never compensated several of the well owners for the water stolen from those wells, c) lied about well production so he did not have to compensate the well owner(s) and to deceive ALJ Nodes in prior proceedings to obtain the ALJ's recommendations to the Commission in favor of an Augmentation Surcharge for MDC, d) deceived ADEQ and the Commission by never listed one well with ADEQ as the law requires nor did he ever have it tested as required by law (this well produced water consumed by the Customers well in excess of 500,000 gallons per month in the MDC System) and; e) participated in an elaborate fraudulent scheme and scam with the MDC Water Committee to steer the Customers in MDC in the direction he wanted them and manipulated them to choose by and through material misrepresentation and deceit;
- 5) Furthermore, Hardcastle misrepresented the identification of certain WSA wells on numerous occasions and in his Annual Reports to the ACC to hide its true source and location, committed perjury under oath and persuaded others to do so in proceedings before ALJ Nodes and the Commission, failed and refused to list WSA wells in the Company's Application for a Augmentation Surcharge for the MDC System to give and create the appearance of a real Emergency Situation were in fact none existed and were in fact Hardcastle created an artificial emergency by and through deception, material misrepresentation, falsification of fact, falsified evidence and falsified testimony to avoid repairs, maintenance and improvements on the MDC System and particularly the drilling or deepening of any wells. The costs to deceive and defraud far exceed the costs too repair, improve and drill. So why do the New Owner(s) their attorney proceed with the same disastrous policies, practices and procedures and the same business

practices by relying on the previous owner(s) illicit and illegal activities as if they were gospel, sound and reasonable?

- 6) Hardcastle knowing and intentionally conspired with others including Pearson, Allred and his attorney to: a) materially misrepresent well production in the MDC System, b) grossly inflate the costs of drilling two new wells (**See: Attached Exhibit D compare with Exhibit B pages 1 to 6**), c) the cost of hauling water (by Pearson Water Co. by way of long distant systems they robbed from) and; d) fraudulently created an “Artificial Emergency” by manipulation, deception, misrepresentation and fraud upon the Commission and MDC Customers to get authorization from the ACC to impose an Augmentation Surcharge and Haul Water to the MDC System for profit by charging the MDC Customers for all of the hauling both into and out of the MDC System and to other systems which the current owners participated in, in 2013. The Deceptive Business Practices of the previous owner/owners has been passed down to and adopted by the New Owner(s) who in 2013 proceeded with the policy, practice and procedures of the previous owner/owners to unfortunately participate in the previous owner/owners criminal business practices to the financial detriment of the MDC Customer;
- 7) It is clearly evident that all of the “financial and legal costs” to the Company to carry out and execute the numerous “Hardcastle Scheme, Scam and Consumer Fraud” on the MDC System Customers (that seriously inflicted physical, financial and mental, damages, injury and harm on the MDC Customers still affects them to this day and includes; property damages, loss of vegetation, restricted water usage, grossly inflated commodity costs, loss of income and property foreclosures in excess of 45 properties since 2011) could easily have financed the drilling of two wells to the depth of 1,000 ft., the installation of additional storage (adding 100,000 gallons of storage not 200,000) with money to spare and to resolve the alleged and artificially created shortages and emergency (incorrectly blamed on Drought and Customer over usage). The “Emergency Situation” was proven to be artificially created by the Company and its Officers and agents (**in both W-03514A-12-0007 and 0008 as well as Gehring’s last filing disclosing newly discovered evidence**). Had such Company funds been spent to drill new wells and improve the system the injury, harm, damages and suffering that was intentionally inflicted upon the Customers, they would not have been imposed upon to the extent that it was nor forced upon them to bear the burden of (**See: Complainants’ Exhibits filed in both W-03514A-12-0007 and 0008 as well as Gehring’s last filing disclosing newly discovered evidence**) and the “rate

Increases” now proposed by the New Owner(s) would have been far, far less. It is the opinion of this intervener that the Attorney General’s Office of Consumer Fraud must investigate all of these matters and particularly Hardcastle’s participation in the numerous crimes and frauds committed upon the Victims in MDC and the new victims in all of these systems who face increases in water rates that will more than double under the New Owner(s) administration of these systems and application for an increase of rates. One must consider what kind of “kick back” Hardcastle will receive and benefit from these exorbitant rate increases for his fingers are still in the pie;

8) During the 2011 Augmentation Surcharge period it was proven and shown beyond any reasonable doubt (**See: in both W-03514A-12-0007 and 0008 as well as Gehring’s last filing disclosing newly discovered evidence**) that the total Well production of both the Company and WSA Wells that was poured into the MDC system produced 824,000+ gallons more than what the Community of MDC consumed. No leaks were reported or repaired;

9) So the Big Question is Simply this: Why did the Company (as claimed, shown and proven in their documents, Pearson Water Co. Invoices, TOP Water Department documents and BUI hauling logs (**See: in both W-03514A-12-0007 and 0008 as well as Gehring’s last filing disclosing newly discovered evidence all documents submitted by the Complainants in evidence**)) have to haul 790,000 gallons to the MDC System which in reality was not in need of Augmentation and why were those costs arbitrarily shoved down MDC Customers’ throats forcing them to pay for the extremely over inflated and unnecessary Water Augmentation Surcharges and making them suffer unspeakable personal, mental, physical, financial and property damages that the ACC absolutely fails or refuses to recognize?

10) Why did the Company in 2011 haul in excess of 84,000 gallons to East Verde Park and bill the MDC Customers for it? Why did the New Owner(s) carry out this same scam and fraud in 2013?

11) Where did all of the water charged to the MDC Customers actually get hauled to and why has Jim Pearson, Chase Pearson and Martin Zabola been allowed by the ALJ Nodes, Legal Staff and the Commission to avoid compliance with the Subpoenas issued to them for nearly two years? Why do they refuse to comply? What do they and other parties involved, have to hide?

12) What did Hardcastle and Allred do to persuade or assist Subpoenaed witnesses (Jim Pearson and Martin Zabola in a secret meeting at Pearson’s home in Williams, AZ in 2012 that Complainants

1 were not allowed to attend) or encourage them, to not comply with the Subpoenas issued to them
2 by the ACC, to this day?

3 13) Why do these Subpoenaed witnesses even to this day make every attempt to avoid appearing
4 before ALJ Nodes or the Commission or to provide documentation and to testify, if they have
5 nothing to hide?

6 14) Why do they lie to legal Staff and state that they have moved to Texas or S. Dakota or N. Dakota
7 where in fact they still reside in Williams, Arizona? What is more, why does the Legal Staff and
8 particularly Robin Mitchell still believe and promote this misrepresentation to avoid the
9 enforcement of the Subpoenas?

10 15) Why does legal Staff believe them rather than truly and honestly trying to locate them and
11 enforce the subpoenas to compel them to appear, produce the documents requested and testify?
12 Is this not error in favor of the Corporations?

13 16) Why doesn't ALG Nodes, Legal Staff and the Commission do their jobs according to the Law
14 which prescribes their activities and performance?

15 17) Why did ALJ Nodes arbitrarily compel Gehring and the Jones to proceed with the Hearings in
16 W-03514A-12-0008 in June 2012 knowing full well that the Subpoenas issued to Person and
17 Zabola and Hardcastle had not been complied with? Was it because they were proceeding in
18 propria persona or some other reason? Shouldn't this entire line of material misrepresentation by
19 the applicant be investigated by independent investigators as well as the ALJ Nodes misconduct
20 in those proceedings and his failure and refusal to make any recommendation to the Commission
21 in those proceedings to this day? Isn't enough of this favoritism towards the corporation by the
22 ACC and prejudice towards the victimized Customers enough?

23 18) Hardcastle's elaborate and highly expensive Fraudulent Scheme, Scam and Consumer Fraud
24 during the Augmentation years 2011 and 2012 the practice of which continued by the New
25 Owners in 2013 resulted in the financial rape of the Company's Customer base in the
26 Community of Mesa del Caballo. This Consumer Fraud was executed and carried out initially by
27 Hardcastle, Allred, Pearson and Zabola and continued as business as usual by Allred, Rio Verde
28 and the New Owners during the 2013 Augmentation period to a new level of deception and
29 fraud;

30 19) The Noel letter /Zonge report goes on to say that: "By completing new wells or extending
31 existing wells (if possible) **deeper** into the similar less resistive/fractured rock, the yield of the

1 wells would be expected to increase at rates similar to the calculated specific capacity of the
2 shallower wells. For example, a 1,000 foot well drilled in the Southern Low Resistivity Zone
3 (See: Attached **COLOR** Exhibit D (also found in B & W in A-17 Sub Exhibits A & B)) could
4 yield up to ***380 gpm*** based on a specific capacity on .55 gpm/ft. where the estimated saturated
5 thickness is 800 feet. This type of projection based on specific capacity data is an upper end
6 estimate because the fractured material tightens (becomes less fractured/porous) with depth as
7 observed in the geophysical cross-section data (**Figure 3, Attachment 1 also found in A-17 Sub**
8 **Exhibits A & B**) resulting in declining specific capacity values and ultimately lower production
9 rates. **However, doubling the potential yield of wells to 50 gpm +/- by completing them to**
10 **depths of 1,000 feet would be a realistic exception.** Extending wells deeper than 1,000 feet may
11 further increase the well yield, but the specific capacity of the well would be expected to
12 decrease with depth.” Two ideal or preferred locations for larger capacity well sites (Reference
13 Exhibit D Yellow-Green dots) were located (See: **Figure 3, Attachment II of Exhibit A-17 Sub**
14 **Exhibits A & B**) within the development and the immediate vicinity of water system facilities
15 for a production well. So why did Hardcastle lie and misrepresent to the Customers, ALJ Nodes
16 and the Commission that there is no water under MDC and that it was not cost effective to drill?
17 Why does the New Owner, ACC Staff Engineer Smith and PWC’s attorney maintain this same
18 lie, this same fraud, this same material misrepresentation and perjury in their testimony and
19 arguments in these proceedings? Why have the findings of fact and conclusions of the
20 Registered Geologist Noel been totally ignored by the Company, the New Owner(s), ALJ Nodes,
21 ACC Staff, Robin Mitchell, Staff Engineer Smith and everybody else? Are the profits of the
22 Corporation more important than the needs of the Customer whom the ACC are required to
23 protect?

24 20) It was clearly evidenced by Mrs. Riedhead in her “Supplement to Pre-Filed Testimony Phase 2”
25 and more specifically **Exhibit KMR-G pages 1-69** that past and more recent Drilling by Private
26 Property owners in MDC and the Company has proven highly successful in depths to 400 ft with
27 well productions ranging from 5 gpm to 20 gpm sustainable rates as projected by Registered
28 Geologist Noel;

29 21) There exists some 60 wells in the MDC area, a few have become non productive not because
30 they “dried up” but because the water table dropped below the shallower depths of some of the
31 “older” wells that were drilled in the 60’s, 70’s and early 80’s which include 3 of the 10 wells

owned by the Company. Please note, that the testimony given by Randy Norman in these proceedings concerning wells that are alleged to have become non productive recently is totally false, misleading and an outrageous bold face lie. But then that is to be expected from Norman since he is one of Hardcastle's puppets due to his participation with Hardcastle for some years now, to deceive the Customers and the ACC in all of the Augmentation proceedings to assist Hardcastle in his efforts to defraud the MDC Customer;

22) Hardcastle's and now the New Owner(s) and his/their attorney maintain falsely and incorrectly according to "Hardcastle's material misrepresentations" that there is no water below MDC and it is not cost effective to drill new wells. This is typical of the Hardcastle's years of deceptive business practices, scams, lies, fraud and material misrepresentations he is famous for and has built his career and reputation upon according to recorded documentation;

23) Has not Hardcastle simply told the same bold face outright lies over and over again to the Customers and the ACC until they have become beguiled, relaxed, brain washed, un-defensive and actually become stupid enough to believe and accept the lies designed to promote the inexcusable excuse not to drill or deepen existing wells to relieve any created problem and increase production for the purpose to carry out various money making schemes, scams and frauds to line corporate pockets;

24) I wonder with many Question: 1) Is Jason Williamson related to Mr. Hardcastle? 2) Is he a son, adopted son, illegitimate son or some other kind of relation to Hardcastle or one of his fellow "Thugs?" 3) Is or has, Mr. Williamson himself or one of his companies bid on or going to bid on the construction of the TOP/MDC Interconnection? 4) Since BUI is selling the Stover property in Payson and the New Owner(s) currently appear not to be interested in purchasing that property what is going to be the "New Domestic Address" of the Payson Water Company in order for it to qualify and maintain its status as a "domestic corporation" within the State of Arizona and not enter the status of a corporation foreign to the State of Arizona which would not comply with Arizona Law and Commission policy?

25) Moving on to the Gisela System. Any representations made by the Company, its officers, agents and attorney that the Customers in the Gisela System must conserve water or that the system there is incapable of providing for the demand or that the rate must be increased in order to continue to provide service should research the word phrase "bovine defecation;"

- 1 26) Having worked for Brandon More (a local well Driller) and drilled Wells in Gisela and
2 throughout the State of Arizona, it is a simple provable fact that most wells in that “water basin
3 and water shed” are drilled at 80 to 100 foot levels and are high production wells that are more
4 than enough to supply the population and their agriculture needs of that Community;
- 5 27) The Company has given no consideration whatsoever to the lifestyle and needs of that
6 Community in all of these proceedings and has presented “extremely inflated rates” to them that
7 will be devastating to that Community. The Company must reconsider its position in reference
8 to that Community in particular;
- 9 28) As far as the other systems affected by this proposed rate hike I can only say that they shall be as
10 adversely affected if not more so than the MDC and Gisela System Customers;
- 11 29) The Company under the “Hardcastle/BUI/JACO OIL/Jamieson,” Administration or Regime has
12 failed or refused for decades to repair or improve upon the systems, or to seek additional in
13 system sources of water, or to petition for rate increases, or for that matter invested in those
14 systems to bring them up to standards without shortages. Why?
- 15 30) Staff has testified in these proceedings and given the impression that the Company under the
16 previous ownership is some sort of a benevolent benefactor or something and that the previous
17 owners actually “subsidized” their Customers water needs, where in fact and reality the
18 Company under the previous Owners (Hardcastle in particular) financially rapped, pillaged and
19 burned their Customers every which way he/they could to service his/their “greed” for money,
20 while providing the absolute minimum amount of service to the Customer and little or no
21 improvement on the systems they are responsible for to maintain;
- 22 31) Case in point the 2011 to 2013 Augmentation periods and the Pine/Strawberry Systems etc. In
23 this case of the words in testimony used “subsidize,” benevolent” they are equivalent to the
24 standard word phrase “bovine defecation.” By the way didn’t Hardcastle receive some kind of
25 “Dividend” in excess of \$400,000.00 for the Sale of the Company and the Star Valley Water
26 System? Why should he receive that? What was that movie titled with Kirk Douglas son about
27 those Wall Street Guys and their greedy and deceptive practices? Was it maybe GREED (“Wall
28 Street”)?
- 29 32) Staff who participated in these proceedings, whether they testified or represented, really should
30 travel to the Pine/Strawberry System (that was sold to the Pine/Strawberry D.W.I.D.) talk to
31 those folks managing those systems, examine, study and tour both the work, extensive repairs

1 and improvements that have been done on those systems, the drilling of new wells in an area that
2 was claimed by Hardcastle not to have any water and the yard maintained there and referred to as
3 “HARDCASTLE’S HALL OF SHAME” for your own enlightenment;

4 33) Let us not forget the fault of the ALJ, Staff and the Commission whom have failed to hold the
5 previous Owner/Owners accountable for his/their criminal activities and mismanagement of
6 these companies, public utilities and water systems for the sole purpose of bleeding the
7 Customer to increase profits for the Corporation and their failure and refusal to comply with the
8 laws of Arizona, Rules of Court and their Agency rules, practices and procedures;

9 34) The reality is, had the Corporation dealt honestly and fairly with their Customers and the
10 Commission and made the improvements, repairs and maintenance required instead of spending
11 so much time, money and effort lying to, cheating and stealing from their Customers and all
12 others with an interest in their activities to increase profits, they would have naturally increased
13 profits by honest means. But as the old saying goes “a liar is a thief and a thief is a liar,” they
14 know not how to change their dishonest ways; and so are we the Customers to anticipate the
15 continuing of the same unscrupulous business practices of the previous Owner/Owners by the
16 New Owner(s) and the same complacency of the ACC which has allowed and furthered this
17 financial rape of the Customers?

18 35) The rate increase proposed is without a doubt excessive and possibly unwarranted if not
19 unreasonable and will not result in improvement to the systems to better serve the Customers.
20 “Economic injury is not the only injury that the law should recognize.”¹ The Consumers’ right is
21 not limited to cases in which they have a “pocketbook” interest; it extends to those in which the
22 agency action bears upon quality, as well as price. Only Consumers may be directly concerned
23 with deteriorations in quality. The implication is far-reaching. Administrative decisions that
24 affect environmental quality should give “consumers” of the environment the same right to be
25 heard before those decisions are made.² Where an agency makes choices, those from whom the
26 choices are made have an interest that should be protected.³

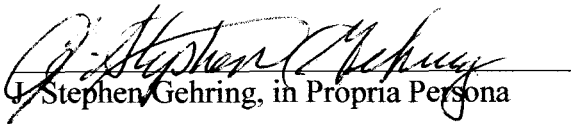
¹ Office of Communication v. FCC, 359 F.2d 994, 1003 (D. C. Cir. 1966).

² Palisades Citizens Assn. v. CAB, 420 F.2d 188 (D. C. Cir. 1969).

³ For a case so holding, Pollack v. Simonson, 350 F.2d 740 (D. C. Cir. 1965). Compare Baptist Hosp. v. State, 500 So. 2d 620 (Fla. App. 1986); Huron Valley Hosp. v. State Health Commn., 312 N.W.2d 422 (Mich. App. 1981); Appeal of Behavior Science Inst., 436 A.2d 1328 (N. H. 1981).

1 WHEREFORE Mr. Gehring requests that the ALJ Nodes recommend to the Commission that the
2 requested rate increases be slashed in half or at least reconsidered and that the Commission recommend
3 to the Attorney General to conduct a Criminal investigation into the activities of the previous owner(s)
4 as well as the current owner(s) of the Company (PWC) as well as Brookes Utilities Inc., and his/their
5 activities as well as the conduct of the ACC Staff and ALG Nodes in their performance and participation
6 in all of the matters leading up to these current proceedings and including the matters from the
7 Company's application for a Water Augmentation Surcharge for MDC begun in 2010, through the
8 Complaints of 2011 to 2013 to the proceedings currently in litigation.

9 Respectfully submitted this 10th day of March 2014

10
11 
12 J. Stephen Gehring, in Propria Persona

13 **CERTIFICATE OF SERVICE**

14
15 The Original and 13 Copies of the foregoing has been mailed this 10th day March 2014 to the following:

16
17 **DOCKET CONTROL**
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington St.
20 Phoenix, Arizona 85007

21
22 A Copy of the Original of the foregoing has been mailed this 10th day March 2014 to the following:

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24 Jason Williamson, President PWC
25 7581 E. Academy Blvd., Suite 229
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32 Kathleen M. Reidhead, Intervener
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45 By: J. Stephen Gehring

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EXHIBIT A

Payson Water Co.

MdC Supplemental Water Cost Analysis- Daily Water Hauling

26-Jul-11

Cost Description:	Variable Water Hauling	Fixed Cost Water Hauling	Total Costs
Permits		\$0	\$0
TOP Contract		\$0	\$0
Water Hauling Station (estimated)		\$900	\$900
Transportation Costs (86,400 gallons/day)	\$2,193		\$2,193
TOP Commodity Costs (86,400 gallons/day)	\$220		\$220
Other	\$0	\$0	\$0
Total Cost/Day	\$2,413	\$900	\$3,313
Total Cost/Month	\$72,397		
Total Cost 10 Days/Month	\$24,132.31		
Total Cost 15 Days/Month	\$36,198.46		
Total Cost 20 Days/Month	\$48,264.62		
Total Cost 25 Days/Month	\$60,330.77		
Number of customers	362		
Cost/customer/day	\$7		
Cost/customer/month	\$193		
Cost/load	\$204		
Cost/gallon	\$0.0314		
Cost/1000 gallons	\$31		

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EXHIBIT B

Deep Well Exploration: (2 wells)

Preliminary work: engineering, brushing, radio-graphy study, test borehole, well #1, well #2, site power, site back-up power, 200,000 gallons water storage.

Project Cost

\$862,321

Avg. MdC water bill (2010)

\$ 23.60

Cost impact

\$ 25.79

Avg. revised MdC water bill

\$ 49.39

Adjustment

109.3%

Deep Well Exploration: (2 wells)

Assumptions: Final costs based on approved regulatory rate design; successful test bore; based on acceptable projected geological conditions; minimum return of 6.06%; debt financing available; 200,000 gallons of water stored; Federal and State tax rate of 25%; 365 customers; unchanged regulatory rate base earnings; no WIFA or equivalent participation.

Payson Water Co.

MdC Deep Well Drilling Budget

Reference	Cost Description	Preliminary Costs	Contractor 1	Contractor 2	Contractor 3	Contractor 4	Site Costs
1	BLU preliminary costs	\$5,000					
2	Pushing contractor (USFS requirements)	\$7,000					
3	Zonge Engineering	\$6,000					
4	Southwest Groundwater Consulting	\$3,000					\$21,300
5	Payson Fence Co.	\$12,000					
6	2-1/2 test borehole (estimated)		\$18,800	\$28,700	\$25,500		\$22,800
7	Mobilization		\$10,000	\$5,000	\$10,000		\$10,000
8	Surface Casing Construction		\$2,500	\$3,000	\$1,500		\$4,300
9	10-inch borehole construction		\$32,900	\$54,000	\$25,040		\$73,700
10	3-1/8 OD LCS blank casing		\$2,950	\$2,840	\$3,370		\$3,300
11	3-1/8 OD LCS slotted casing		\$22,930	\$21,000	\$34,710		\$39,120
12	Casing construction		\$2,100	\$6,810	\$6,410		\$7,700
13	Aquifer testing, monitoring, logging, etc.		\$5,300	\$9,200	\$29,680		\$29,000
14	35 HP, 70 GPM submersible pump		\$17,900	\$18,500	\$23,200		\$37,230
15	Inavoidable delay		\$0	\$0	\$0		\$0
16	Sales tax		\$4,610	\$0	\$8,490		\$9,840
17	Total		\$120,010	\$149,050	\$167,910		\$235,820
18	On site power development						\$46,400
19	On site back up power development						\$26,240
20	On site water storage (200,000 gallons)						\$200,000
21	Contingency (15%)		\$18,000	\$22,350	\$25,180		\$40,890
22	Total	\$33,000					\$334,810
23	Second deep well development costs		\$138,020	\$171,408	\$193,105		\$271,198
24							
25	Total Project Cost		\$626,875	\$688,298	\$728,858		\$874,860
26							

What Does This Mean for Your Water Bill?:

Deep Well Drilling (2 wells):

If your average water bill is

\$20	your revised water bill will be	\$45.79
\$23.60	your revised water bill will be	\$49.39
\$25	your revised water bill will be	\$50.79
\$30	your revised water bill will be	\$55.79
\$40	your revised water bill will be	\$65.79
\$50	your revised water bill will be	\$75.79
\$60	your revised water bill will be	\$85.79
\$70	your revised water bill will be	\$95.79
\$90	your revised water bill will be	\$115.79

Note: all water bill projections subject to final regulatory rate design.

Payson Water Co., Inc.

Mesa del Caballo Water Alternative Cost Analysis

23-Aug-11

Cost Description	Water Conservation	Water Hauling	USFS Pipeline	Deep Well (s) Drilling	CCC Crugin Water
Engineering			\$2,120		
USFS environmental study			\$58,000		
USFS special use permit			\$150		
Gila Co. permit			\$1,000		
Pipeline delivery & installation			\$12,359		
Rental			\$37,902		
Pipeline deinstallation			\$5,150		
BUT O&M			\$5,700		
BUT preliminary and development				\$3,500	
Gila Co. permit				\$1,000	\$1,000
Brushing				\$6,800	
Zonage radiography study				\$6,300	
SWGW consultation				\$2,900	
Drilling contractor mobilization				\$10,000	
Test borehole				\$25,500	
Well development and construction				\$132,417	
Back-up power development				\$46,400	
On-site power development				\$26,240	
Water storage (200,000 gallons)				\$221,000	\$221,000
SWGW development management				\$21,300	
2nd well development				\$193,105	
PYWC Co. O&M (annually)				\$11,000	\$3,000
PYWC Co regulatory cost				\$35,000	\$35,000
SRP contract					\$84,000
SRP O&M					\$2,600
TOP contract					\$513,900
TOP water treatment					\$45,612
TOP O&M					\$2,700
PYWC Co development cost					\$22,800
<i>Development & Operations Cost</i>					
	\$0	\$0	\$122,381	\$742,462	\$931,612
TOP water supply (annually)			\$6,900	\$0	
Contingency			\$18,357	\$111,369	\$139,742
Sales tax			\$0	\$8,490	\$1,740
			\$147,638	\$862,321	\$1,073,094

Total Project Cost

Mesa del Caballo Alternative Cost of Water

23-Aug-11

<u>Pipeline</u>	
Average MdC water bill (2010)	\$23.60
Average MdC water bill impact	\$33.71
Average MdC Revised water bill	\$57.31
Adjustment percent	142.8%
Average MdC water bill impact (after 1st year)	\$20.47
Average MdC Revised water bill (after 1st year)	\$44.07
Adjustment percent (after 1st year)	86.7%

Deep Well (s)	CC Cragin
<u>Drilling</u>	<u>Water</u>
\$23.60	\$23.60
\$25.79	\$30.69
\$49.39	\$54.29
109.3%	130.0%

Your Revised Water Bill Will Be

Deep Well (s)	CC Cragin
<u>Drilling</u>	<u>Water</u>
\$20.00	\$45.79
\$23.60	\$49.39
\$25.00	\$50.79
\$30.00	\$55.79
\$35.00	\$60.79
\$40.00	\$65.79
\$45.00	\$70.79
\$50.00	\$75.79
\$55.00	\$80.79
\$60.00	\$85.79
\$65.00	\$90.79
\$70.00	\$95.79
\$75.00	\$100.69
\$80.00	\$105.69
\$85.00	\$110.69
\$90.00	\$115.69
\$95.00	\$120.69
\$100.00	\$125.69
	\$130.69

Assumption:

Final costs based on approved regulatory rate design

Avg. water bill determined from annual revenues/average number of customers

Pipeline cost represents cost recovery only

Pipeline rate change excludes USFS study costs after 1st year

EXHIBIT C

Central Arizona Pump,LLC.

Estimate

141 S. Oldham Rd.
Payson, AZ. 85541

Phone # (928) 476-5440

Date	Estimate #
5/21/2010	323

Name / Address
Brooks Utility mesa dell

Description	Qty	Cost	Total
Drilling 7 7/8 drilled hole with 6" stabelizer	1,000	25.00	25,000.00T
PVC Casing 6 certalock	1,000	6.59	6,590.00T
6" steel casing is needed 15.90 per foot			
Surface Casing 21' Steel & Concrete		500.00	500.00T
6" FPS 75 gpm 25 hp sumersible motor with 3 year warranty with sub monitor 460 volt 3 phase		5,719.00	5,719.00T
2 1/2 galvanized pipe	945	5.84	5,518.80T
Submersible Pump Wire 4-4	945	4.80	4,536.00T
Splice Kit	1	19.99	19.99T
Check Valve 2 1/2"	4	325.00	1,300.00T
460 volt control panel with sub monitor		2,750.00	2,750.00T
Pump Installation		1,475.00	1,475.00T

Subtotal \$53,408.79

Sales Tax (5.123%) \$2,736.13

Total \$56,144.92

Total is based on materials & labor to install system. This estimate is subject to change based on otherwise required time & materials.

Signature_____

Central Arizona Pump, LLC.

141 S. Oldham Rd.

Payson, AZ. 85541

(928) 476-5440 Phone / Fax

Invoice

DATE	INVOICE #
4/26/2010	BM22266

BILL TO
Brooks Utilities

SHIP TO

QUANTITY	DESCRIPTION	RATE	AMOUNT
1,000	Drilling	19.00	19,000.00T
	Surface Casing 21' Steel & Concrete	500.00	500.00T

		Sales Tax (5.123%)	\$998.99
		Total	\$20,498.99
		Payments/Credits	\$0.00
		Balance Due	\$20,498.99

A 1 1/2% charge will be added to all accounts over 30 days

1

2

3

4

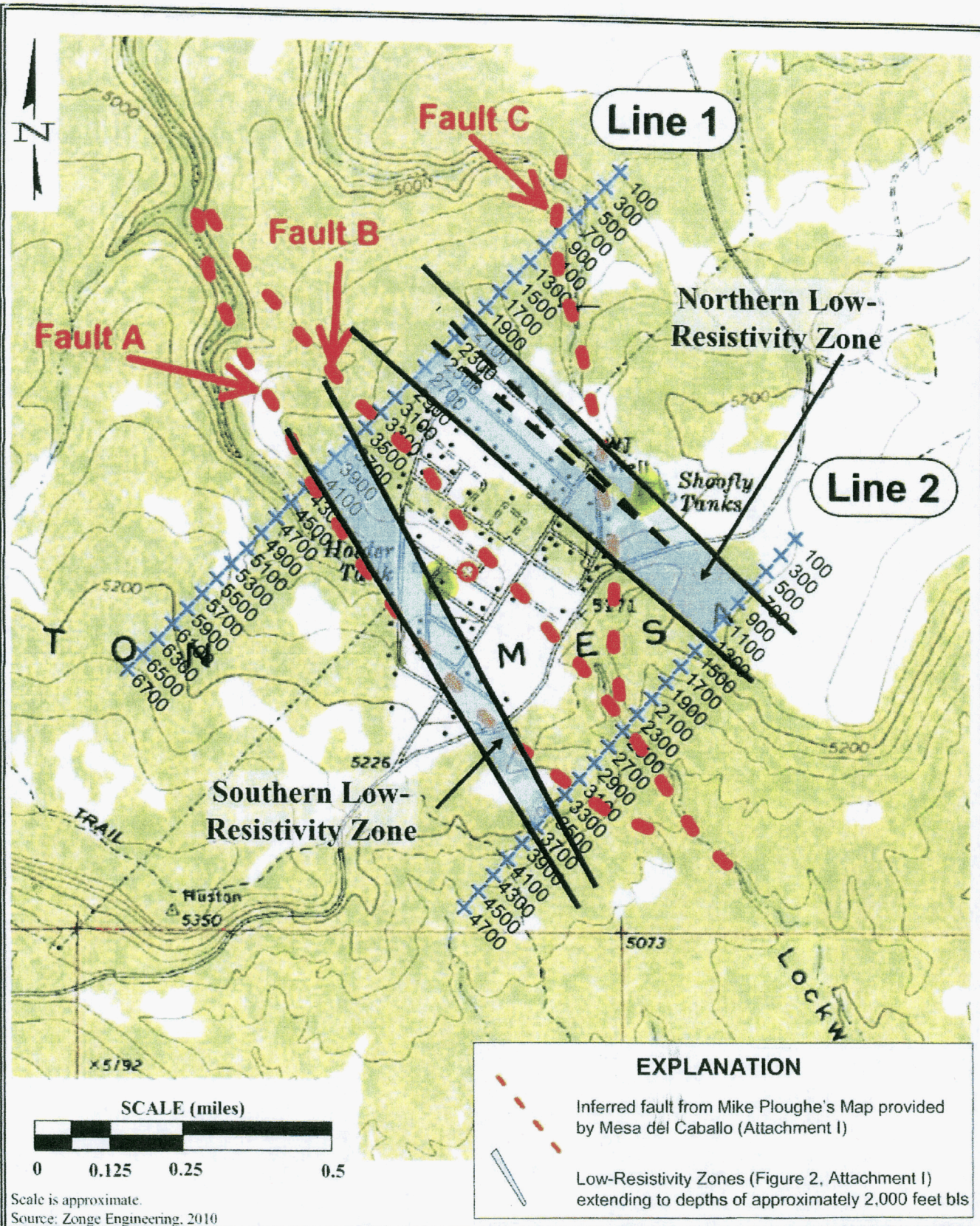
5

6

EXHIBIT D

7

8



Southwest Ground-water



Consultants, Inc.

March 26, 2010

Project B.1793

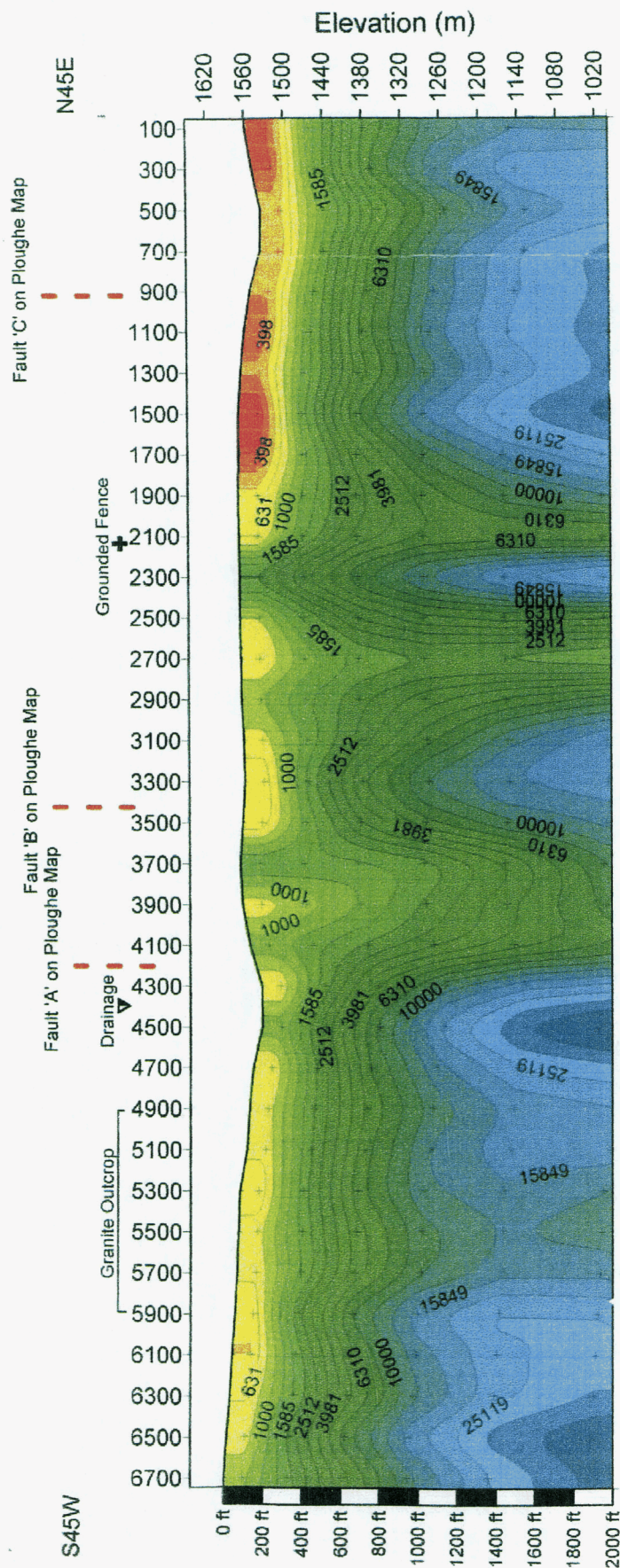
LOW-RESISTIVITY ZONES

Mesa del Caballo, Gila County, Arizona

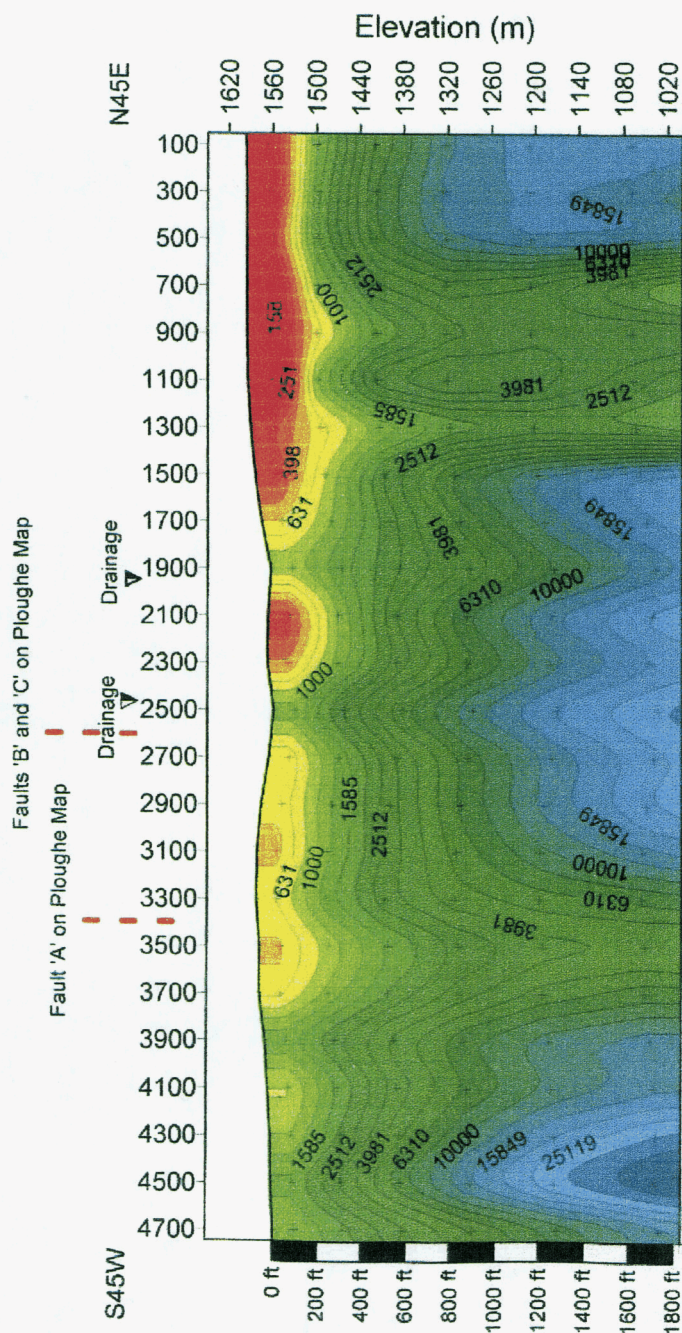
Figure

1

Resistivity Cross Section- Line 1



Resistivity Cross Section- Line 2



Mesa Del Caballo Project				
Lines 1 and 2				
1D Smooth-Model Inversion				
by Zonge NSAMT Data				
AUTHOR	DRAWN	DATE	SCALE	REPORT
Zonge	nmp	24/02/10	1:10000	Job 10030
REFline1_2d.mtm				